

Message Text

LIMITED OFFICIAL USE

PAGE 01 CAIRO 06789 230559Z

ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 EUR-12 EA-07 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 IO-13

NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01

/116 W

-----230712Z 091321 /16

R 221240Z APR 77

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 4173

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY ROME

AMEMBASSY TEHERAN

AMEMBASSY TOKYO

LIMITED OFFICIAL USE CAIRO 6789

E.O. 11652: NA

TAGS: EAID EFIN EG

SUBJ: ASSISTANCE TO EGYPT: IMF REPS VIEWS

1. NEW IMF RESREP HANS GERHARDT PAID VISIT TO ECONCOUN
APRIL 20. ONE HOUR MEETING, ATTENDED BY AID/DIR, WAS OF A
GENERAL GET-ACQUAINTED NATURE, BUT FOLLOWING INFORMATION
WAS DEVELOPED.

2. FUND IS APPARENTLY STILL OPTIMISTIC THAT AGREEMENT ON
AN EXTENDED FACILITY CAN BE REACHED EARLY NEXT YEAR. MAIN
MECHANISMS FOR GETTING ECONOMY INTO A POSITION WHERE THIS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 06789 230559Z

MIGHT BE ATTAINABLE ARE \$150 MILLION STANDY AGREEMENT
(DUE TO BE APPROVED IN WASHINGTON ON 20TH) AND, MORE
IMPORTANTLY, \$1.5 BILLION GODE LOAN. EACH CONTAINS
STIPULATED ECONOMIC AND MANAGERIAL REQUIREMENTS THAT GOE
MUST MEET IN ORDER TO OBTAIN INCREMENTAL DISBURSEMENTS
DURING CY77. GERHARDT ACKNOWLEDGED THAT EGYPTIANS WOULD
PROBABLY NOT HAVE FELT THEMSELVES ABLE TO COMPLY WITH

COMMITMENTS MADE IN LETTER OF INTENT TO FUND (IMPLICATION BEING THAT CARROT WAS TOO SMALL), BUT WITH ADDED WEIGHT OF GULF OILDOMS BEHIND THE NEED FOR COMPLIANCE, OUTLOOK WAS CONSIDERABLY BRIGHTENED.

2. FACT THAT SUPPLIERS CREDITS AND BANKING FACILITIES ARREARAGES WILL CONSUME MORE THAN HALF OF GODE LOAN, INITIALLY TOUTED AS A MEANS FOR CONVERTING SIGNIFICANT PORTION OF SHORT-TERM DEBT TO MEDIUM TERM, WAS POINTED OUT TO GERHARDT. HE TOLD US THAT REMAINDER OF LOAN WILL BE USED TO "KEEP EGYPT CURRENT", WHICH WAS PURPOSE FOR WHICH GODE LOAN WAS INTENDED, RATHER THAN FOR SHIFTING DEBT. (THIS CONFLICTS WITH OUR UNDERSTANDING, BUT FUND IS PRESUMABLY IN A POSITION TO KNOW, SEE BELOW.)

3. GERHARDT SAID MONIES NEEDED TO COVER ARREARAGES (\$800 MILLION PLUS) WOULD BE MADE AVAILABLE IMMEDIATELY, BUT WOULD BE DISBURSED UNDER DETAILED SUPERVISION OF MORGAN GUARANTEE (RICHARD DEBS). REMAINING FUNDS WILL BE HANDLED IN SIMILAR MANNER, DEPENDING UPON MORGAN TO PLAY SUPERVISORY ROLE IN INSURING THAT OTHER FACETS (UNSPECIFIED) OF ECONOMY ARE BEING APPROPRIATELY MANAGED. PRIVATE BANK WAS SELECTED BY ARABS TO PERFORM THIS FUNCTION, SINCE IMF DID NOT WISH TO TAKE IT ON (ALTHOUGH IT IS A PARTY TO THE AGREEMENT--IMF, GODE, GOE, MORGAN--COVERING THE LOAN IMPLEMENTATION). IMF'S ROLE WILL BE TO PRODUCE AN ASSESSMENT OF THE ECONOMY EACH TWO MONTHS, WITH THIS ASSESSMENT EXPECTED TO HAVE AN EFFECT ON THE RATE AND PURPOSES OF DISBURSEMENTS BY MORGAN GUARANTEE OF AMOUNTS REMAINING AFTER ARREARAGES HAVE BEEN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CAIRO 06789 230559Z

PAID OFF.

4. IN CONTRAST TO INFORMATION CONVEYED LAST WEEK BY IBRD VP BENJENK, GERHARDT SAID \$250 MILLION DIRECT LOAN FROM GODE LAST JANUARY WAS SPENT ALMOST IMMEDIATELY UPON RECEIPT. (BENJENK HAD SAID IT WAS BEING HELD BY GOE FOR TACTICAL PURPOSES.) GERHARDT IS ALSO AWARE THAT \$250 MILLION GODE-GUARANTEED LOAN IS STILL IN PROCESS OF BEING WORKED ON, AND WILL HOPEFULLY BE FLOATED NEXT WEEK.

5. ON SUBJECT OF OVERALL OPERATION OF ECONOMY, GERHARDT APPEARS TO HAVE A REALISTIC APPRECIATION OF THE DIFFICULTIES FACING GOE, AND IS AWARE OF SHORTCOMINGS OF EFFORTS BEING MADE TO DEAL WITH THEM. HE EVIDENTLY PLACES CONSIDERABLE HOPE FOR SOLUTION TO LATTER PROBLEM IN FACT THAT BANK, FUND, FRG'S MOELLER, GODE AND OTHERS (INCLUDING PRESUMABLY ENTIRE CONSULTATIVE GROUP) ARE ALL STRESSING NEED FOR BETTER ORGANIZATION ARRANGEMENTS AND GREATER INPUT FROM THE TOP, READ SADAT, ACROSS ECONOMIC SPECTRUM IF THERE ARE TO BE

SIGNIFICANT IMPROVEMENTS IN NEAR TERM.

6. COMMENT. CLOSE PERSONAL RELATIONS ESTABLISHED WITH PAUL DICKIE MAY NOT BE REPEATED WITH GERHARDT, PARTICULARLY BECAUSE HE IS NOW HERE WITH AT LEAST A PARTIAL POLICEMAN ROLE, BUT WE ANTICIPATE THAT SIMILARITY OF USG AND FUND OBJECTIVES WILL FACILITATE GOOD WORKING CONTACTS AND EXCHANGES OF INFORMATION. HE HAS THE PROPER BLEND OF OPTIMISM AND MILD SKEPTICISM THAT IS NEEDED IN EGYPT.
EILTS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONAL OPINION, ECONOMIC ASSISTANCE, ECONOMIC DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO06789
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770141-1205
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770431/aaaaazsu.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: db2f30a1-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2729340
Secure: OPEN
Status: NATIVE
Subject: ASSISTANCE TO EGYPT: IMF REPS VIEWS
TAGS: EAID, EFIN, EG, IMF, (GERHARDT, HANS)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/db2f30a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009